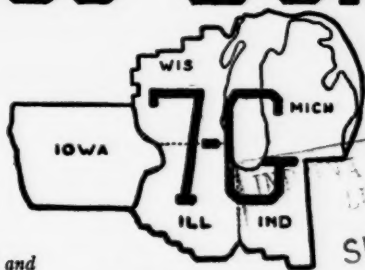


BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

EUGENE M. STEVENS, *Chairman of the Board and Federal Reserve Agent*

CLIFFORD S. YOUNG, *Asst. Federal Reserve Agent*

HARRIS G. PETT, *Manager*

Division of Research and Statistics

JOHN H. MARTIN, *Asst. Federal Reserve Agent, Detroit Branch*

GEORGE A. PRUGH, *Asst. Federal Reserve Agent*

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General Summary

FURTHER slowing-down was evident during July in industrial and trade activity of the Seventh district. Although recessions from June were in large part seasonal in nature, declines in many groups—particularly merchandising—were heavier than usual for the period, and more numerous instances appeared of a smaller volume of business than in the same month of 1933.

Of the major industries, steel, automobiles, and building construction recorded curtailment in July, with activity in the first-named industry less than in the month last year when, however, the peak in operations for the year was attained. Further contraction took place during July in orders and shipments of steel and malleable casting foundries, orders booked by malleable casting foundries being sharply less than a year ago, for the second consecutive month. The furniture industry furnished an exception to these trends in the monthly comparison, new orders increasing more than seasonally over June and shipments expanding contrary to trend, but both items totaled below the year-ago volumes. Industrial employment in the district again declined in July.

Noteworthy among July trends in food-producing industries were the gains shown over a month and year previous in the production of packing-house commodities—gains due entirely to governmental operations; sales declined from June, and though greater in value than last year because of higher prices, totaled smaller in tonnage than at that time. In the production and sale of butter and the manufacture of Wisconsin cheese less than seasonal declines were recorded for July, and distribution of the latter commodity increased sharply; as compared with July 1933, gains were shown in the production and sales of butter but declines for cheese manufacture and

output. Wheat receipts at primary markets were much below normal for July and shipments were only moderate, while the primary movement of corn was fairly heavy and that of oats unseasonably light. August 1 forecasts on the production of major crops in the Seventh district were lowered considerably from those of July 1 and were far under last year's below-average crops.

In reporting merchandising groups recessions in sales from June to July were more than seasonal. In wholesale trade, all lines—groceries, hardware, drugs, dry goods, and electrical supplies—recorded sharper than usual drops in sales for July, with dry goods sales much smaller than in the month last year. Similarly, in retail lines, the department store, retail shoe, and retail furniture trades had heavier than average declines in sales from the preceding month, and chain store trade was noticeably lighter than in June. Distribution of automobiles likewise fell off considerably in July.

Heavier commercial loans in the period between July 18 and August 15 were largely responsible for the gain recorded during the period in aggregate loans and investments of reporting member banks; demand deposits in these banks likewise expanded, while time deposits showed a slight decline in these weeks. There was a small increase during the period in the amount of reserve bank credit extended in the district. Dealer sales of commercial paper in July were the heaviest since the middle of 1931, and new financing by means of bankers' acceptances increased more than seasonally, though totaling below average for July. Following moderate activity and strength in the early part of July, the Chicago bond market weakened in the last half of the month.

Credit Conditions and Money Rates

The amount of reserve bank credit in use in the Seventh Federal Reserve district increased slightly during the period July 18 to August 15, following the decline of over 2½ millions in the preceding five weeks. Total credit extended by the Chicago Reserve bank rose from \$426,412,000 on July 18 to \$427,334,000 on August 15. Banking reserves in the district were again increased by a net inflow of more than 16 million dollars from other districts in payment for commercial and financial transactions, although the size of the gain in this period was not so heavy as during June and the early part of July. As a result of the increase in the supply of funds, member bank reserve balances, special and "all other" deposits,

FEDERAL RESERVE BANK OF CHICAGO SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	AUGUST 15 1934	CHANGE FROM JULY 18 1934	AUGUST 15 1933
Total Bills and Securities.....	\$ 429.3	\$ +0.1	\$ +83.2
Bills Discounted.....	0.2	+0.0	-9.6
Bills Bought.....	0.7	+0.0	-0.2
U. S. Government Securities.....	428.3	0	+92.9
Total Reserves.....	1,102.2	+10.0	+143.2
Total Deposits.....	732.1	+9.2	+254.8
Federal Reserve Notes in Circulation.....	769.5	+1.4	+16.0
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined	73.4%	+0.2*	-4.5*

*Number of Points.

and other Federal Reserve accounts showed gains in the period, while demand for currency declined. The United States Treasury local collections were almost 7 millions in excess of disbursements in these four weeks. The accompanying tabulation presents in detail the changes in the uses and sources of Seventh district banking reserves.

Changes between July 18 and August 15 in Factors Affecting Use of Federal Reserve Bank Funds—Seventh District

(Amounts in thousands of dollars)	
Reserve bank credit extended.....	+822
Commercial operations through inter-district settlements.....	+16,310
Treasury and National bank currency.....	-4,673
Total supply.....	+12,459
Demand for currency.....	-3,157
Member bank reserve balances.....	+6,713
Treasury cash and deposits at Federal Reserve Bank of Chicago.....	+6,821
Special and "all other" deposits.....	+1,947
Other Federal Reserve accounts.....	+135
Total demand.....	+12,459

MEMBER BANK CREDIT

Total loans and investments of licensed reporting member banks in the Seventh district were reported as \$1,849,000,000 on August 15, representing, as shown by the tabulation below, a gain of 31 millions over July 18, the corresponding reporting date in that month, and of 268 millions over August 16, 1933. The increase from July 18 represents for the most part a heavier volume of "all other" (commercial loans), with a small rise in investments; loans on securities decreased 4 million dollars. It will be noted that as against the figures for August 16, 1933, the current data show decreases of 100 millions in loans on securities and 55 millions in "all other" (commercial) loans, whereas investment holdings increased more than 400 million dollars. Changes on August 15 in deposit aggregates included a rise in net demand deposits of 45 millions over July 18 and of 486 millions over August 16, 1933, and a small decline in time deposits in the monthly comparison; as compared with a year ago, time deposits were 15 million dollars higher on August 15.

Rate changes in recent weeks have been negligible; down-town banks in Chicago reported $1\frac{1}{2}$ to 5 per cent as the range on customers' commercial loans during the week ended August 15, unchanged from the corresponding week in July. In Detroit, customers' commercial loans were reported as carrying a rate of $3\frac{1}{2}$ to 6 per cent, also unchanged from the week ended July 15. The average rate earned by down-town banks in Chicago on loans and discounts during the calendar month of July was 3.19 per cent, as against 3.26 per cent in June and 3.88 per cent in July 1933.

Dealer sales of commercial paper in the Middle West aggregated greater in July than for any month since the middle of 1931 and were 53 per cent in excess of a year ago, though totaling only one per cent heavier than in June and 49 per cent under the 1924-33 July average. Borrowing remained in about the same volume as a month earlier and there was little change in the investment demand from either city or country banks. Some evidence

of a firmer tendency in selling rates was evidenced during the period; July quotations ranged from $\frac{3}{4}$ per cent for prime short-term obligations to 1 and $1\frac{1}{2}$ per cent for paper less well-known or of longer maturity, but the bulk of transactions continued to take place at $\frac{3}{4}$ to 1 per cent. Commercial paper outstandings in the Middle West increased 10 per cent on July 31 over the end of June and were $78\frac{1}{2}$ per cent larger than a year earlier. In consequence of a further improvement in both the supply and the demand, commercial paper sales for the first half of August expanded 46 per cent over the corresponding weeks of July. Selling rates on August 15 were within a range of $\frac{3}{4}$ to $1\frac{1}{4}$ per cent.

Average weekly receipts of acceptances in the Chicago bill market from Eastern markets declined 6 per cent during the five weeks ended August 15 from the preceding period, the decrease more than offsetting a small gain in local purchases, with a consequent diminishing in the supply of $3\frac{1}{2}$ per cent between July 12 and August 15. Sales to out-of-town banks were one million dollars less than a month earlier and, similarly, more than offset a small increase in sales to Eastern cities. Rates during the period ranged from $\frac{1}{8}$ to $\frac{1}{4}$ per cent.

In the Seventh Federal Reserve district, new financing by means of bankers' acceptances increased more than seasonally in July over June but was 28 per cent under the 1924-33 average for the month. The direct discounting of these bills at the originating banks expanded $119\frac{1}{2}$ per cent over the preceding period but declined $37\frac{1}{2}$ per cent in comparison with a year ago; moreover, the buying of other banks' acceptances decreased 78 per cent from last July. Total purchases, therefore, aggregated 86 per cent heavier than in June but showed a recession of 60 per cent from July 1933 and of $30\frac{1}{2}$ per cent from the 1924-33 July average. Sales continued practically negligible but, with maturities slightly exceeding the volume of current purchases, holdings recorded a counter-to-seasonal decline on July 31 from June 30 to a level under any other reporting date since March 31, 1933. Furthermore, the liability for outstanding acceptances was less than at the end of any month since July 30, 1927. A decline of 12 per cent in new financing by means of bankers' acceptances was reported for the first half of August as compared with the corresponding weeks of July.

TRANSACTIONS IN BANKERS' ACCEPTANCES AS REPORTED BY A SELECTED LIST OF ACCEPTING BANKS IN THE SEVENTH DISTRICT

	PER CENT CHANGE IN JULY 1934 FROM	
	JUNE 1934	JULY 1933
Total value of bills accepted.....	+86.4	-37.7
Purchases (including own bills discounted).....	+85.9	-60.2
Sales.....	+489.8	-56.3
Holdings.....	-3.4	-47.9
Liability for outstandings*.....	-4.1	-39.9

*At end of month.

SECURITY MARKETS

During the early part of July moderate activity and strength prevailed in the Chicago bond market. In the latter part of the month, however, activity diminished and prices dropped considerably, particularly among the

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

	(Amounts in millions of dollars)		
	AUGUST 15 1934	CHANGE FROM JULY 18 1934	AUGUST 16 1933
Total Loans and Investments.....	\$1,849	\$+31	\$+268
Loans on Securities.....	322	-4	-100
All Other Loans.....	414	+26	-55
Investments.....	1,113	+9	+423
Net Demand Deposits.....	1,660	+45	+486
Time Deposits.....	487	-7	+15
Borrowings from Federal Reserve Bank.....	0	0	0

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

	(Amounts in millions of dollars)		PER CENT OF INCREASE OR DECREASE FROM
	JULY 1934	JUNE 1934	
Chicago.....	\$2,231	-6.7	-9.9
Detroit, Milwaukee, and Indianapolis.....	948	-1.3	+38.3
Total four larger cities.....	\$3,179	-5.2	+0.5
33 smaller centers.....	496	-4.9	+18.3
Total 37 centers.....	\$3,675	-5.1	+2.6

speculative and semi-speculative issues. Municipal bonds, which have maintained a good position in recent months, also showed a softening tendency from the high prices previously attained. Higher grade issues continued to have the preference in demand, and this class of securities held up relatively well, despite the declining prices among the lower grade bonds. Foreign issues in the main have been weak and in very little demand. The moderate amount of buying in evidence during July and the early part of August came, for the most part, from institutions, insurance companies absorbing a considerable portion of the available new supply of municipal issues. Individual buying was relatively unimportant. Prices on the Chicago Stock Exchange weakened considerably in the latter part of July, the average price for twenty leading stocks* amounting to only \$24.16 on July 26 as compared with a high point for the month of \$30.34 on July 11. There was some improvement in prices during the first part of August, the average price on August 16 amounting to \$27.48.

*Chicago Journal of Commerce.

Agricultural Products

August 1 forecasts by the Department of Agriculture, on production of major grains in the Seventh district, were lowered by an aggregate of 127 million bushels from the July 1 estimates, to 333 millions below the output of the 1933 season, which was in turn below average. The similar estimate for the country as a whole was one billion bushels below last year's production. Prospects for this district's potato crop were reported as three million bushels poorer than a month earlier, though still above last year. The condition of other crops and fruits remained practically the same as on July 1.

Weather conditions during July were generally unfavorable, despite a considerable amount of rainfall. Record-breaking heat occurred over most of the district; and the rains were unevenly distributed and only locally beneficial. Precipitation averaged normal or above in Illinois, Iowa, and Wisconsin, though deficient in Indiana and Michigan. Within all states of the district, however, wide areas continued extremely dry. Pastures and wells were restored in portions of the district, but small grains were too far along to recover and corn was severely

burned during the pollination period, after having progressed remarkably during the earlier drouth period. Much corn which could not produce grain was cut for fodder, and soy beans were also cut for hay when the leaves began to dry. In the first half of August there were some good rains, but as not all sections were covered and the heat was again excessive, it is uncertain to what extent the remaining crops were benefited.

GRAIN MARKETING

Wheat receipts at primary markets, though larger than a year ago, amounted to less than 60 per cent of the five-year July average, in contrast to the 12 per cent gain recorded in this comparison for June, and a less than seasonal increase was shown over this above-average June volume. Shipments were moderate and only 9 per cent larger than in June, which compares with a five-year average increase for the month of 92 per cent. Milling demand was strong, particularly at centers in the major producing areas, and Kansas City and Minneapolis prices rose more sharply than at Chicago. Owing to the expansion in marketings, the visible supply increased 32 million bushels in July and had risen another 3 millions by August 11 to within 23 million bushels of the year-ago volume. Chicago future prices averaged slightly higher than in June, as a result of a steady upward trend during July which continued in August to new highs for the season on the tenth of the month. Both cash and futures were above the dollar level from the end of July to beyond the middle of August. World wheat prices have recently shown emphatic strength, due to important readjustment in the surplus situation as a result of generally reduced production. Quotations at Liverpool gained somewhat on those at Chicago, though more than 10 cents lower at all times.

The primary movement of corn was fairly heavy, with receipts above average for July and shipments showing a larger than seasonal increase over June—largely attributable to the release for marketing of corn sealed on farms under Government loans, as a result of the rise in market price. The visible supply of corn, moreover, reversed the downward trend in effect to July 14 and had expanded 15 million bushels by August 11, remaining however, 12 millions below a year previous. The movement of oats was unseasonably light, due to the record low crop and small supplies. Prices of all feed grains gained substantially during July and early August in response to the drouth crisis in the major live-stock producing areas.

MOVEMENT OF LIVE STOCK

Intensive purchasing of animals from drouth areas by the Federal Surplus Relief Corporation was largely responsible for cattle receipts at public stock yards in the United States attaining a volume in July that was not only greater than for any month since October 1923 but 88½ per cent above the 1924-33 average for the period. This influence likewise accounted for the number of calves received at public markets being in excess of any month on record (January 1921). Although the marketing of lambs rose more than seasonally over June to a level 7 per cent above the 1924-33 July average, it aggregated slightly less than a year ago. Furthermore, receipts of hogs declined in all three comparisons and were below those of either April or May. The movement of animals to inspected slaughter (inclusive of those that did not pass through public stock yards) generally followed the trend of market receipts during the month, except that the supply of cattle was the largest on record

CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the basis of August 1 condition

(In thousands of bushels unless otherwise specified)

	SEVENTH DISTRICT		UNITED STATES		AVERAGE
	FORECAST 1934	FINAL 1933	FORECAST 1934	FINAL 1933	1927-31
Corn.....	612,615	835,127	1,607,108	2,343,883	2,516,307
Oats.....	209,736	314,089	545,345	731,524	1,186,956
Winter Wheat...	46,973	44,426	400,522	351,608	632,061
Spring Wheat....	1,662	2,316	90,438	176,370	254,298
Barley.....	27,535(a)	35,401(a)	119,081	156,988	270,444
Rye.....	5,842(a)	5,629(a)	17,051	21,236	40,950
Buckwheat.....	779(a)	803(a)	6,117	7,832	9,496
Flaxseed.....	173(b)	236(b)	5,252	6,806	18,664
Potatoes (White)...	43,582	39,752	327,251	320,353	365,556
Potatoes (Sweet)...	1,130(c)	1,090(c)	63,062	65,073	62,386
Sugar Beets.....	999(d)	1,203(d)	6,801	11,030	7,854
Apples.....	9,387(a)	15,033(a)	110,091	142,981	156,303
Peaches.....	625(e)	1,965(e)	45,432	44,942	56,282
Pears.....	1,281(e)	1,010(e)	22,947	21,192	22,334
Cherries.....	31(d)	34(d)	115	117	93
Grapes.....	70(a)	74(a)	1,880	1,910	2,277
Dry Beans**.....	2,439(d)	3,539(d)	9,169	12,280	11,594
Tobacco***.....	14,909	17,814	1,042,942	1,385,107	1,470,556
All Tame Hay*.....	8,405	13,289	49,018	65,983	72,250
Wild Hay*.....	430(a)	1,575(a)	4,653	8,633	11,368
CANNING CROPS:					
Snap Beans*.....	19(f)	15(f)	68	60	73
Green Peas*.....	75(g)	69(g)	161	138	182

*In thousands of tons. **In thousands of 100-lb. bags. ***In thousands of pounds. (a) Five states including the Seventh Federal Reserve district. (b) Iowa and Wisconsin. (c) Illinois, Indiana, and Iowa. (d) Michigan and Wisconsin. (e) Illinois, Indiana, Iowa, and Michigan. (f) Indiana, Michigan, and Wisconsin. (g) Illinois, Indiana, Michigan, and Wisconsin.

(January 1920) and that the number of hogs was $1\frac{1}{2}$ per cent in excess of the 1924-33 July average.

Reshipments to feed lots increased sharply over June and were not only above any corresponding period since last autumn but much greater than a year ago; those of cattle and calves showed respective increases of 267 and $172\frac{1}{2}$ per cent over the 1929-33 seasonal average, and the movement of lambs declined only 2 per cent in this comparison.

MEAT PACKING

The total volume of production of packing-house commodities at slaughtering establishments in the United States increased $4\frac{1}{2}$ per cent in July over June, and was not only $3\frac{1}{2}$ per cent heavier than a year ago but $14\frac{1}{2}$ per cent greater than the 1924-33 average for the month. If, however, a deduction is made from this total for that portion of the beef and veal tonnage not intended for distribution through regular trade channels but processed for the Government in conjunction with its drouth relief measures, the resultant commercial production aggregates slightly less than in June, $5\frac{1}{2}$ per cent under a year earlier, and only $4\frac{1}{2}$ per cent over the ten-year average for July. With the exception of a decline in pork loins, mutton, and lowest grade beef quotations, prices of practically all packing-house commodities advanced in July over those of the preceding month. However, the sales tonnage not only fell $6\frac{1}{2}$ per cent under June and $2\frac{1}{2}$ per cent below a year ago but was 4 per cent less than seasonal and slightly under the volume of current production. As a consequence of the foregoing trends and because prices continued considerably under the 1924-33 average though above a year ago, the total value of sales billed to domestic and foreign customers aggregated 2 per cent smaller than in June and 28 per cent below this ten-year average but was $13\frac{1}{2}$ per cent greater than for last July. Inventories of packing-house commodities in the United States showed a non-seasonal expansion of 63,053,000 pounds on August 1 over the beginning of July, although they continued to aggregate less than on the corresponding date of 1933. It is estimated that Government holdings of beef and veal, if added to these stocks, would bring total inventories to a level above the 1929-33 August 1 average. Payrolls at the close of July continued to reflect a marked improvement over a year earlier and showed an increase over June of more than 5 per cent each in number of employees, hours worked, and total wage payments.

Shipments for export decreased further during July, chiefly owing to the lack of a Continental market. The major portion of the tonnage consisted of lard forwarded to the United Kingdom. Moreover, that country slightly increased the American quota of ham and bacon dur-

ing the month. On the other hand, Germany did not permit importations of packing-house commodities from the United States in July. Demand for American lard was moderate in the United Kingdom and was almost negligible on the Continent. With the exception of a fair demand in British markets for American ham and bacon, European trade in United States meats remained exceptionally light. English quotations for ham were above the Chicago parity, but those of lard in that country remained at a considerable discount.

DAIRY PRODUCTS

Creamery butter manufacture in the Seventh Federal Reserve district decreased only 2 per cent in July from June—as compared with an average recession in that month of 11 per cent—and was 2 per cent greater than a year ago, though aggregating $11\frac{1}{2}$ per cent less than the 1924-33 July average. The sales tonnage recorded a decline of 3 per cent from June and of $13\frac{1}{2}$ per cent from the ten-year average, but was $3\frac{1}{2}$ per cent heavier than in July 1933. United States production of the commodity decreased in about the usual amount from June and was $3\frac{1}{2}$ per cent under last July. That consumption, influenced by lower prices in July than a month earlier, was sufficiently large to maintain the normal relationship to current production is evidenced by the fact that total inventories of creamery butter in the United States increased no more than is usual on August 1 over the beginning of July and remained 25,855,000 pounds smaller than the 1929-33 average for the date.

The production of American cheese in Wisconsin fell off less than seasonally in the five weeks ended August 4, being 6 per cent smaller than a month earlier and 3 per cent under a year ago but $\frac{1}{2}$ per cent above the 1929-33 July average. On the other hand, distribution of the commodity from primary markets of that state rose $45\frac{1}{2}$ per cent over the preceding period to a level within $1\frac{1}{2}$ per cent of the corresponding weeks of 1933 and of the five-year average for the period. Prices declined approximately 11 per cent in July from June. Despite these trends, production continued to record a greater than seasonal excess over current consumption. Total inventories of cheese in the United States, therefore, showed more than the normal accumulation on August 1 over the beginning of July and were 20,633,000 pounds above the 1929-33 average for that date.

EMPLOYMENT AND EARNINGS SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF JULY 15, 1934			CHANGE FROM JUNE 15, 1934	
	REPORT- ING FIRMS No.	WAGE EARNERS No.	EARNINGS (000 OMITTED) \$	WAGE EARN- ERS %	EARN- INGS %
Metals and Products ¹ . . .	1,271	219,409	4,422	-7.3	-13.1
Vehicles . . .	226	276,763	5,656	-7.1	-17.2
Textiles and Products . . .	303	39,004	609	-9.8	-11.9
Food and Products . . .	610	100,040	2,171	+6.2	+6.7
Stone, Clay, and Glass . . .	167	10,419	202	+2.4	-1.1
Wood Products . . .	401	29,025	400	-5.1	-12.2
Chemical Products . . .	164	21,252	417	-2.9	-6.6
Leather Products . . .	104	21,104	379	+2.1	+1.2
Rubber Products ² . . .	8	7,583	147	+20.3	+1.0
Paper and Printing . . .	574	63,588	1,436	-0.5	-2.4
Total Mfg., 10 Groups . . .	3,828	788,187	15,839	-4.5	-10.9
Merchandising ³ . . .	1,680	79,086	1,633	-3.2	-3.1
Public Utilities . . .	80	84,040	2,442	+1.5	+3.2
Coal Mining . . .	18	3,066	52	+4.6	+20.9
Construction . . .	319	11,975	238	+1.2	-6.1
Total Non-Mfg., 4 Groups . . .	2,097	178,167	4,365	-0.6	+0.4
Total, 14 Groups . . .	5,925	966,354	20,204	-3.8	-8.7

¹ Other than Vehicles. ² Michigan and Wisconsin. ³ Illinois and Wisconsin.

LIVE STOCK SLAUGHTER

(In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District, July 1934 . . .	325	616	259	167
Federally Inspected Slaughter, United States July 1934 . . .	1,192	3,323	1,294	770
June 1934 . . .	932	3,763	1,259	601
July 1933 . . .	752	3,914	1,399	401

AVERAGE PRICES OF LIVE STOCK

(Per hundred pounds at Chicago)

	WEEK ENDED AUGUST 18 1934	JULY 1934	MONTHS OF JUNE 1934	JULY 1933
Native Beef Steers (average) . . .	\$6.65	\$7.25	\$7.35	\$6.10
Fat Cows and Heifers . . .	4.35	4.50	4.75	4.45
Calves . . .	5.65	5.15	4.65	5.50
Hogs (bulk of sales) . . .	5.60	4.50	4.20	4.50
Yearling Sheep . . .	5.60	5.75	6.90	5.85
Lambs . . .	6.30	7.05	8.45	7.35

Industrial Employment Conditions

Decreases aggregating 4 per cent in employment and 8½ per cent in payrolls were reported for the period June 15 to July 15 by 5,925 industrial establishments of the Seventh Federal Reserve district. While industrial activity generally declines at this season, the 1924-33 average shows a contraction of less than one per cent in employment and of only slightly more than 4 per cent in payrolls for this period. All of the five states including the Seventh district contributed to the current decline, Michigan being one of the most severely affected due to further curtailment in the automobile industry. Decreases of 7 per cent in employment and 17 per cent in payrolls were recorded for the vehicles group as a whole; these were followed closely by losses of 7 and 13 per cent in metals, 10 and 12 per cent in textiles, 5 and 12 per cent in wood products, and 3 and 7 per cent in chemicals. Minor curtailments were also shown for the paper and printing industries and in payrolls of the stone, clay, and glass products group. These reductions were to some extent counteracted by increases in the food products group which added 6 per cent more workers and raised payrolls 7 per cent; by a substantial rise in employment of the rubber products industries; and by minor gains in the leather goods group. As a whole, manufacturing industries recorded declines of 4½ per cent in employment and 11 per cent in payrolls from the figures of a month earlier, though remaining at levels 23 and 29 per cent, respectively, above those of a year ago.

Non-manufacturing industries as a whole showed a decrease of one-half per cent in employment during the June to July period but a similar percentage increase in payrolls. Gains were contributed by public utilities and the coal mining industry, while losses were shown for the merchandising and construction groups, the latter decreasing payrolls 6 per cent, while slightly increasing its employment. As compared with the corresponding figures for July 1933, employment in non-manufacturing industries was 10 per cent and payrolls 12 per cent higher this July.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

Curtailement in automobile production schedules during July was slightly greater than seasonal in extent, though output continued to exceed that of the corresponding period of 1933. The number of passenger vehicles produced this July, amounting to 223,868, showed a recession of 14½ per cent from the preceding month, but was 17 per cent larger than a year ago. Truck production of

42,707 in the period, declined 8 per cent from June and was 12 per cent above that for last July. In the first seven months of 1934, output of passenger cars, numbering 1,624,207, exceeded that of the entire year 1933 by a slight margin; similarly, truck production of 356,342 so far this year was somewhat greater than for the whole of last year.

Rather sharp recessions took place during July in mid-west distribution of automobiles, sales by distributors falling off 27 per cent in number and those by retail dealers being 18 per cent smaller than a month previous. A decline from a year ago of 8 per cent in the number of cars sold at wholesale was the first to be noted in this comparison since January, but sales to consumers continued to number more than last year—by 3 per cent. Stocks of new cars were reduced somewhat further between June 30 and the end of July, but aggregated 40 per cent heavier in number than on July 31, 1933. Only a moderate decrease was shown in the number of used cars sold during July; the number of salable cars on hand was about the same at the end of the month as at the close of June, but the increase in the item over a year ago was small as compared with that recorded in new car stocks. Deferred payment sales of dealers reporting the item amounted to 52½ per cent of their total retail sales in July, or little changed from the ratio shown by the same dealers in June but comparing with a ratio of only 41 per cent for July last year.

IRON AND STEEL PRODUCTS

July shipments from steel mills of the Chicago district fell considerably below those of June, and new business also totaled less. The rate of steel ingot output, which had averaged 33 per cent of capacity in the middle of July, declined gradually thereafter until it averaged a little under 29 per cent in the second week of August. Although activity in the industry was much lighter this July than in the month a year ago, the volume of business in the first seven months of 1934 exceeded by a large percentage that for the same period of 1933; furthermore, it should be noted that July of 1933 was the peak month of the year in the industry. Daily average production of pig iron in the Illinois and Indiana district likewise dropped sharply in July from a month previous and was much smaller than a year ago. Except for further weakening in the iron and steel scrap market, price quotations remained unchanged after the first part of July through the first weeks of August.

The Seventh district foundry industry showed a further contraction in activity during July, steel casting foundries reporting declines of 32 per cent in the volume of orders

MIDWEST DISTRIBUTION OF AUTOMOBILES
CHANGES IN JULY 1934 FROM PREVIOUS MONTHS

	PER CENT CHANGE FROM		COMPANIES INCLUDED
	JUNE 1934	JULY 1933	
New Cars			
Wholesale—			
Number Sold.....	-26.9	-7.8	21
Value.....	-30.2	-3.5	21
Retail—			
Number Sold.....	-17.8	+3.2	55
Value.....	-15.9	-0.5	55
On Hand July 31—			
Number.....	-12.4	+40.3	55
Value.....	-9.4	+47.7	55
Used Cars			
Number Sold.....	-7.4	-8.2	55
Salable on Hand—			
Number.....	-0.3	+8.5	55
Value.....	+3.6	+24.2	55

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	JULY 1934: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	JUNE 1934	JULY 1933	
Wholesale Lumber:			
Sales in Dollars.....	+0.6	-8.8	11
Sales in Board Feet.....	-7.1	-32.6	9
Accounts Outstanding ¹	+2.6	-0.3	11
Retail Building Materials:			
Total Sales in Dollars.....	-5.8	+5.7	150
Lumber Sales in Dollars.....	-14.9	-11.0	38
Lumber Sales in Board Feet.....	-13.9	-13.4	71
Accounts Outstanding ¹	-1.7	-4.1	146
RATIO OF ACCOUNTS OUTSTANDING ¹ TO DOLLAR SALES DURING MONTH			
	JULY 1934	JUNE 1934	JULY 1933
Wholesale Trade.....	191.6	187.8	174.9
Retail Trade.....	344.0	329.0	377.4

¹End of Month.

booked, one-half per cent in shipments, and 14 per cent in production, while for malleable casting foundries the corresponding losses totaled 18, 24, and 22 per cent, respectively. Orders for malleable castings fell 37 per cent below those of a year ago, production was 14 per cent smaller, but shipments remained practically the same in volume and were 17 per cent higher measured in dollar units. Steel casting foundries reported increases in all items over a year ago—30 per cent in orders, 86 per cent in shipments, and 67 per cent in production.

In the manufacture of stoves and furnaces, decreases of 24 per cent each in shipments and orders accepted, and 65 per cent in molding-room operations, were reported for July as compared with the preceding month. The last item also showed a decline of 65 per cent from a year ago, orders accepted were 44 per cent smaller, while shipments continued larger—by $\frac{1}{2}$ per cent. Inventories showed little change, and at the close of the month were about twice as large as on the corresponding date last year.

FURNITURE

The mid-year peak of new orders booked by furniture manufacturers reporting to this bank was reached during July, the volume for the month registering an expansion over a month previous of 106 per cent, in comparison with one of 55 per cent in the seven-year average for the period. Shipments also gained—6 per cent—in contrast to a decline of 6 per cent in the average for the month. The volume of unfilled orders outstanding rose sharply during the period, in line with the expansion in new orders, but owing to the non-seasonal increase in shipments, their ratio to current orders, amounting on July 31 to 77 per cent, was 10 points under that obtaining a month previous. Comparisons with year-ago totals continued unfavorable, declines from July 1933 amounting to 33 per cent in orders, 12 per cent in shipments, and 40 per cent in unfilled orders. The rate of operations averaged only 42 per cent of capacity in the current month, 9 points under that of the preceding month and two points below July 1933.

SHOE MANUFACTURING, TANNING, AND HIDES

Shoe manufacturers of the Seventh district reported a general slowing-down in operations during July, output for the month, according to preliminary figures, totaling $6\frac{1}{2}$ per cent less than in June. Final production figures for June showed a decline of $5\frac{1}{2}$ per cent from the preceding month and were 14 per cent lower than for June 1933. Despite the contraction in evidence since April, shoe production for the first six months this year was 15 per cent larger than in the same months of 1933. In the tanning industry, July production and sales were smaller than in the preceding month and prices were generally lower. Trading in packer green hides was in unusually small volume during the month, and price quotations on practically all items fell one cent in the period. Further price declines were reported during the early weeks of August.

WHOLESALE TRADE IN JULY 1934					
COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCOUNTS OUTSTANDING	COLLECTIONS	
Groceries...	+0.3	+7.7	-5.3	+1.6	103.1
Hardware...	+15.0	+31.7	+1.1	+10.8	208.0
Dry Goods...	-28.6	+51.4	-18.6	+9.2	272.9
Drugs...	+8.3	+3.8	-15.1	+1.7	195.3
Electrical Supplies..	+28.5	+15.1	+0.4	+33.3	181.1

Building Materials, Construction Work

Midsummer dullness characterized the distribution of building materials during July in this district. The trend was generally seasonal, with certain lines, however, making a better showing, such as the fractional increase over June in wholesale lumber sales, which contrasts with a five-year average loss of 9 per cent for the month. Business of these reporting yards, however, fell below a year ago for the second month in dollar sales and for the third month in board-foot volume. Retail dealers recorded seasonal losses from the preceding month in sales of lumber and of all materials, but sales of the latter exceeded July 1933, after having declined in the year-ago comparison for June. A moderate increase occurred in the accounts-to-dollar-sales ratio for both wholesale and retail trade. Some weakness was reported in lumber prices, and stocks were allowed to decline somewhat from the volume of a month earlier. Brick and tile manufacturers reported a moderate expansion in sales, with hollow tile for silos in good demand, but cement operations were on a less favorable level.

BUILDING CONSTRUCTION

The July volume of building contracts awarded in the Seventh Federal Reserve district, though slightly exceeding the level of a year ago, marked the fourth consecutive monthly decline from the preceding period. Residential awards, amounting to less than 11 per cent of the total, dropped below the volume of the corresponding period in 1933 for the first time this year.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
July 1934.....	\$ 18,919,835	\$ 2,041,925
Change from June 1934.....	-8%	-21%
Change from July 1933.....	+2%	-19%
First seven months of 1934.....	\$155,279,468	\$16,806,515
Change from same period 1933.....	+126%	+41%

*Data furnished by F. W. Dodge Corporation.

Building permits issued in 100 cities of the district amounted to over 5 million dollars during July, and resulted in gains over a month and year previous of 38 and 99 per cent, respectively. Among the larger cities of the district—Chicago, Detroit, Milwaukee, Des Moines, and Indianapolis—the last was the only one to differ from the group trend in estimated cost of proposed construction, declining 38 per cent in the comparison with June. The number of permits issued during July registered small declines from both June and last year.

Merchandising

For the second successive month trends in wholesale trade conditions of the district were unfavorable during

DEPARTMENT STORE TRADE IN JULY 1934

LOCALITY	PER CENT CHANGE JULY 1934 FROM JULY 1933		PER CENT CHANGE FIRST SEVEN MONTHS 1934 FROM SAME PERIOD 1933		RATIO OF JULY COLLECTIONS TO ACCOUNTS OUTSTANDING END OF JUNE	
	NET SALES	STOCKS END OF MONTH	NET SALES		1934	1933
Chicago.....	+6.9	+1.2	+14.9		28.1	25.4
Detroit.....	+17.3	+20.9	+40.0		39.6	31.4
Indianapolis..	+5.3	+24.0	+17.9		38.1	36.8
Milwaukee...	+0.1	+13.3	+16.2		36.4	32.4
Other Cities..	+11.3	+7.5	+32.8		29.1	26.8
7th District..	+8.5	+8.2	+22.6		33.6	29.4

July, with declines from June in all reporting groups aggregating greater than seasonal in extent. Grocery sales dropped 19 per cent in the comparison, hardware 12 per cent, dry goods 17 per cent, drugs 7 per cent, and electrical supplies 21 per cent, as against recessions in the average for July of 3, 10, 6, 5, and 9½ per cent, respectively. Furthermore, it will be noted in the table that dry goods firms had a much smaller volume of sales this July than a year ago, following upon a decline of 2 per cent in the yearly comparison for June. Gains shown over last July in drugs and electrical supplies were a little heavier than those recorded for June over a year ago, while the 15 per cent increase in hardware sales contrasted with a decline of one per cent a month previous, but the grocery trade showed little change in the comparison, as against an increase of 17 per cent for June over the corresponding month of 1933. Cumulative sales for 1934 to date continued to be substantially heavier than for the same period of 1933, wholesale grocery sales for the seven months totaling 16 per cent above those of the same months last year, drug sales aggregating 22½ per cent, dry goods 26 per cent, hardware 40 per cent, and electrical supply sales 58 per cent greater in the comparison. Accounts-sales ratios in most groups were higher at the end of July than a month previous, and in dry goods the ratio was above that of a year ago.

A decline of 31 per cent from June to July in Seventh district department store sales compared with one of 25 per cent in the 1924-33 average for July, the recession with the exception of that for July 1932 being heavier than shown for the month in any of the ten years. As a result, there was a further narrowing of the margin between 1934 and 1933 sales: the 8½ per cent gain over

last July compared with a 10 per cent increase in the yearly comparison for June and with 50 per cent in March when the heaviest increase over a year ago was recorded. In the larger cities declines in July from the preceding month ranged from 23 per cent in Milwaukee to 41 per cent in Detroit, sales by stores in smaller cities diminishing 30 per cent. Detroit sales and the total for smaller cities continued to record greater increases over a year ago than did sales by Chicago, Milwaukee, and Indianapolis firms. Another small decline—4 per cent—in stocks between the end of June and July 31, resulted in their being only 8 per cent larger on the latter date than last year at the same time.

As in other merchandising lines, recessions from June in the July retail shoe and furniture trades were greater than usual for the period: a decrease of 41 per cent in the sales of reporting shoe dealers and the shoe departments of department stores compared with a seasonal decline of 33 per cent, and sales of furniture and house furnishings by dealers and department stores fell off 23 per cent as against 20 per cent in the average for July. In the comparison with last year, the retail shoe trade recorded an increase of but 5 per cent, while the furniture trade was greater by 8 per cent.

Aggregate sales of eleven reporting chains operating 1,545 stores in the period, dropped 12 per cent in July from June and were only 2½ per cent above those for the month last year. In the latter comparison, cigar, drug, and five-and-ten-cent store chains showed increases for the month this year, with shoes, men's clothing, and musical instruments recording declines, while in the monthly comparison all groups had smaller sales.

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

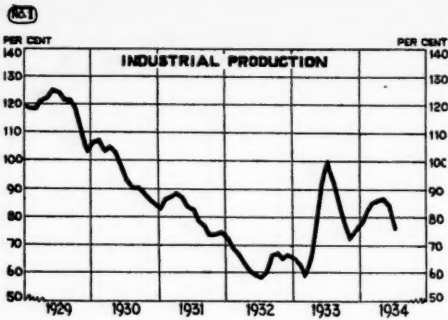
(Index numbers express a comparison of unit or dollar volume for the months indicated, using the monthly average for 1923-1924-1925 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

	No. of Firms	July 1934	June 1934	May 1934	Apr. 1934	Mar. 1934	Feb. 1934	July 1933	June 1933	May 1933	Apr. 1933	Mar. 1933	Feb. 1933
Meat Packing—(U. S.)—													
Sales (in dollars).....	62	68	69	68	62	63	63	60	56	56	48	45	44
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	40	41	44	31	28	22	21	18	12	10	11	10
In Tons.....	12	44	44	47	31	28	21	25	19	13	10	12	11
Malleable—In Dollars.....	21	25	32	41	38	36	28	21	21	16	12	10	11
In Tons.....	21	36	48	62	58	58	44	36	37	29	22	16	20
Stoves and Furnaces—													
Shipments (in dollars).....	10	64	84	102	78	82	63	63	58	54	44	38	35
Furniture—													
Orders (in dollars).....	14	41	20	29	25	31	28	62	30	32	24	19	24
Shipments (in dollars).....	14	27	25	33	23	24	29	30	28	27	23	20	20
Flour—													
Production (in bbls.).....	21	86	98	101	92	106	107	98	120	108	114	110	91
Output of Butter by Creameries—													
Production.....	67	125	128	120	85	80	72	123	139	135	94	93	85
Sales.....	69	109	113	114	90	92	93	106	132	113	87	96	91
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	28	67	83	76	64	68	62	67	70	63	55	58	51
Hardware.....	11	53	60	70	60	52	39	47	61	54	39	28	22
Dry Goods.....	9	31	38	44	40	42	34	44	39	34	26	23	21
Drugs.....	13	56	61	66	64	71	64	52	58	54	49	49	49
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	25	51	70	72	64	67	55	48	66	64	57	56	44
Detroit.....	5	50	85	93	91	92	67	41	66	74	65	45	40
Indianapolis.....	4	51	71	81	78	84	56	49	65	73	70	52	47
Milwaukee.....	5	52	68	74	82	71	58	52	63	68	70	51	46
Other Cities.....	43	45	64	75	65	73	53	40	58	60	57	44	38
Seventh District—Unadjusted.....	82	50	72	77	71	74	57	46	64	66	61	51	43
Adjusted.....	82	69	73	75	72	75	72	64	65	65	57	56	55
Automobile Production—(U. S.)—													
Passenger Cars.....	77	90	94	94	99	94	64	65	71	62	51	33	31
Trucks.....	113	123	154	174	150	117		101	112	90	71	47	41
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....	7	9	13	10	8	6		9	8	10	5	5	2
Total.....	28	30	32	36	37	24		27	19	15	10	12	6
Iron and Steel—													
Pig Iron Production*:													
Illinois and Indiana.....	45	66	68	54	49	39		59	45	31	18	18	21
United States.....	40	66	67	59	53	46		59	43	29	21	18	20
Steel Ingot Production—(U. S.)*.....	44	87	93	87	77	68		95	74	55	40	25	34

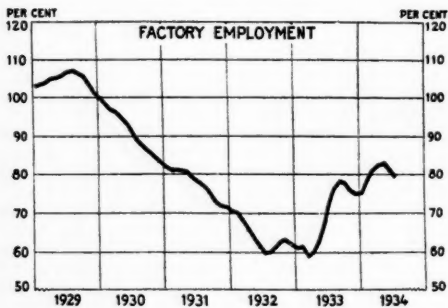
*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

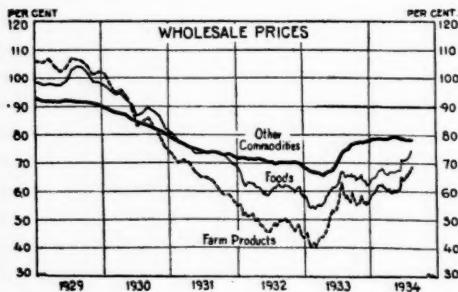
(By the Federal Reserve Board)



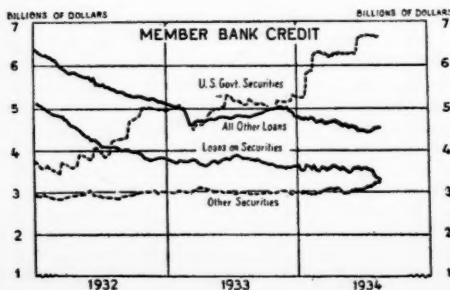
Index number of industrial production, adjusted for seasonal variation (1923-1925 average = 100).



Federal Reserve Board's index of factory employment, adjusted for seasonal variation (1923-1925 average = 100).



Indexes of the United States Bureau of Labor Statistics. By months 1929 to 1931; by weeks 1932 to date (1926 = 100).



Wednesday figures for reporting member banks in 91 leading cities. Latest figures are for August 15, 1934.

INDUSTRIAL production declined in July. Factory employment and payroll also decreased. Diminished output of steel was the chief factor in the decline of industrial activity which was larger than is usual at this season of the year. The general level of wholesale commodity prices showed little net change for July and advanced in the first three weeks of August.

PRODUCTION AND EMPLOYMENT

Volume of industrial output, as measured by the Board's seasonally adjusted index, decreased from 83 per cent of the 1923-25 average in June to 76 per cent in July. This decline reflected chiefly a sharp reduction in the output of steel, due in part to previous accumulation of stocks by consumers; and there was a further decline in steel operations during the first three weeks in August. Activity in the automobile industry decreased, and there were considerable reductions in the output of pig iron and anthracite. At textile mills, where operations had been at a low level in June, activity showed little change in July. Output of shoes showed a seasonal increase. Accompanying heavy marketings of cattle from drought areas, there was a considerable increase in activity at meat-packing establishments.

Factory employment decreased between the middle of June and the middle of July by 3 per cent, an amount larger than is usual at this season. There were reductions in many industries producing durable manufactures, such as iron and steel products and building materials, and also at establishments producing knit goods and women's clothing. At canning establishments the number of employees increased by less than the usual seasonal amount. Employment on public projects increased further in July.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was about the same in July as in June.

Department of Agriculture estimates, based on August 1 conditions, indicate that yields per acre for principal crops are 22 per cent smaller than the ten-year average, reflecting the effects of the drought. The wheat crop is estimated at 491,000,000 bushels, 37,000,000 bushels less than last year's small harvest, and the corn crop at 1,607,000,000 bushels, as compared with a five-year average of 2,516,000,000 bushels. The cotton crop estimate is 9,195,000 bales, about 4,000,000 bales less than last season and smaller than in any other year since 1921.

DISTRIBUTION

Total volume of freight carloadings declined in July, reflecting chiefly a reduction in miscellaneous freight, including steel shipments, offset in part by an increase in shipments of live stock. Department store sales showed a decrease of somewhat more than the estimated seasonal amount.

COMMODITY PRICES

Wholesale prices of farm products, after fluctuating widely in July, advanced considerably in the first three weeks of August. Between the beginning of July and the third week of August, cotton, wheat, and hog prices showed substantial increases, while cattle prices declined somewhat. During this period, prices of commodities other than farm products and foods as a group showed little change.

BANK CREDIT

Member bank reserve balances increased further between the middle of July and the middle of August, and on August 15 were about \$1,900,000,000 in excess of legal requirements. The increase in reserve balances reflected principally a further growth in monetary gold stock, offset in part during the first half of August by a seasonal increase in the total volume of money in circulation. The volume of reserve bank credit showed little change.

In the four weeks ending August 15, loans and investments of New York City banks decreased by \$141,000,000, while those of weekly reporting banks in other leading cities increased by \$116,000,000. The decrease at New York banks reflected a reduction of nearly \$200,000,000 in loans to brokers and dealers in securities, following a sharp decline in security prices in the latter part of July, and a decline of \$52,000,000 in holdings of United States Government securities. All other loans and holdings of securities other than United States Government obligations increased substantially at New York banks and at banks outside New York City. At outside banks, holdings of United States Government securities also increased.

Average rates of discount on United States Treasury bills issued, rose from .07 per cent in July to .23 per cent on August 22. Other open-market money rates remained unchanged at low levels.

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